COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Request for the unanimous assent of the Council under Article 54, paragraph 2 of the ECSC Treaty on the partial financing of a project designed to increase the supply of industrial water to British Steel Corporation's Redcar and South Teesside works.

Communication to the Council

Subject: Request for the unanimous assent of the Council under Article 54, paragraph 2 of the ECSC Treaty on the partial financing of a project designed to increase the supply of industrial water to British Steel Corporation's Redcar and South Teesside works.

Loan requested: £ 3.9 millions (± 6.4 EUA millions)

Borrower: Northumbrian Water Autority.

NORTHUMBRIAN WATER AUTHORITY

Under the Water Act of 1973 the British Government consolidated the many small local undertakings in each Region into nine Regional Authorities each responsible for water resources, land drainage, sewerage and the management of inland waterways.

The Northumbrian Water Authority is such an Authority and covers most of the North East of England including the valleys of the river Tyne and the river Tees.

The Water Act of 1973 requires each Water Authority, over the medium term to match its revenue and expenditure. Any excess or shortfall in any one year is to be carried forward and reflected in a decrease or an increase in the tariffs charged in subsequent years.

The Water Act also provides borrowing powers for the Authorities to finance their capital expenditure projects. The major sources of such loan funds are foreign currency loans, and the National Loan Fund of the British Government.

These debts are serviced out of revenue. An allowance for depreciation and interest is included in the tariffs charged, which maintains a cash flow adequate for this purpose.

Project for which financial assistance is required

Cost: £ 12.9 millions (± 21.0 millions EUA) at April 1976 prices.

DESCRIPTION OF THE PROJECT

The Northumbrian Water Authority supplies the British Steel Corporation's fifteen works in the Authority's area with water for industrial uses.

The aim of the project is to provide additional industrial water. To meet the increasing demands of the British Steel Corporation's Redcar and South Teesside works, situated on the estuary of the River Tees.

In the current phase of BSC's investment programme on Teesside, crude steel production potential at these works is being expanded from 2.8 m. tons in 1975 to nearly 5 m. tons in 1979. New sintering, ore pelletizing and coking capacity has been installed and a new 14 metre blast furnace is under construction. In later phases of the programme a large new plate mill and further iron and steelmaking capacity are to be installed at Redcar: this additional capacity should increase total crude steel production potential to over 10 m. tons.

The principal uses of industrial water in the iron and steelworks are:

- for coke quenching and heat exchanger cooling in the coking plant;
- for fan cooling and process sprays in the sinter plant;
- for processing of green pellets in the pelletization plant;
- for gas cleaning, slag granulation and iron granulation in the blast furnaces;
- for gas cleaning in the steelworks;
- for secondary cooling in the continuous casting installations;
- for roll cooling in the rolling mills.

In the financial year 1974/75, BSC's Redcar and South Teesside works used a total of 3.6 million gallons per day of industrial water, all of which was obtained from the Northumbrian Water Authority supply network. As a result of the current phase of expansion of the works, this daily usage is expected to increase to 14.2 million gallons per day in 1978/79. When the new plate mill and further iron and steelmaking facilities are installed at Redcar in the later phases of the Corporation's investment programme, daily demand for water should reach 33.5 million gallons.

The Water Authority's existing supply network is insufficient to cope with these large increases in water demands. It is therefore proposed to increase supply by abstracting additional water at two new pumping stations, Blackwell and Low Worsall, on the River Tees, a few miles upstream from the steelworks. The increase in water obtained would provide for the needs of some other users as well as those of BSC, in particular a large chemical works situated at Billingham.

The project is divided into two phases: in the first phase, the Blackwell pumping station will be commissioned by the end of 1976 and will provide additional water of 12.4 million gallons per day of which BSC will take an additional 5.2 million gallons. Subsequently, the Low Worsall scheme will be completed and a new reservoir will be built at Kirkleathem, almost exclusively to cope with the additional demand from BSC. The Corporation will then gradually reduce its requirements from the Blackwell station to 700,000 gallons a day.

The precise phasing of the water augmentation project does not fully match the various stages of the BSC investment programme on Teesside. The new pumping stations should be capable of providing sufficient water for the eventual expansion of steelmaking at Teesside, to over 10 m. tons. However commissioning of the new intakes, pumping stations and pipelines will be necessary before completion of the current expansion of steelmaking to 5 m. tons. The second phase of the Kirkleathem reservoir will not be needed until BSC's requirements reach over 20 million gallons per day in 1983.

Under the Control of Pollution Act of 1974, the Northumbrian Water Authority along with other U.K. Water Authorities, became responsible for the control of effluent dispersed into coastal waters and rivers. The additional effluent from the BSC's Redcar and Teesside works which will accompany the increase in water usage, will be pumped out into the sea, at a short distance from the mouth of the River Tees. The British Steel Corporation and the Water Authority are already working together to ensure that this additional effluent will meet the required standards.

PROPOSED FINANCING BY THE COMMUNITY

The cost of the project as a whole is £ 12.9 m. at April 1976 prices; about £ 9.7 m. of this total includes both the costs of installations which are exclusively for the supply of additional water to BSC, and BSC's proportionate share of the cost of facilities which will supply BSC and other users.

Amount of loan proposed: £ 3.9 m. representing 40 % of the costs which are being incurred on behalf of BSC.

Term of loan: long-term

Phasing of proposed payments: According to the phasing of those costs within the project which are directly related to the supply of water to BSC (i.e. £ 9.7 m.).

CONCLUSIONS

This project is necessary in order to meet the increasing requirements for raw water of the British Steel Corporation's Redcar and South Teesside works. Large volumes of water are necessary in the new facilities under construction for the production of coke, iron and steel and without further investment in the supply system, the supply of water could place a constraint on output at the steelworks.

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The size of the loan proposed has been determined on the basis solely of costs of facilities or proportions of them which can be said to be directly related to the supply of additional water to the British Steel Corporation.

The above considerations would suggest that a favourable view should be taken of the loan application because the investment involved will contribute directly and primarily to the achievement of the objectives outlined by Article 54, paragraph 2 of the ECSC Treaty.

The Commission has taken a favourable decision in principle to extend the loan requested. In consequence, in conformity with Article 54, paragraph 2 of the ECSC Treaty, the Commission requests the assent of the Council to the granting of a loan of £ 3.9 millions to the Northumbrian Water Authority.